

latest in file



Annual Report

FOR THE YEAR ENDED MARCH 31, 1959

CANADIAN COTTONS, LIMITED





CANADIAN COTTONS, LIMITED

INCORPORATED 1892

Head Office: 760 Victoria Square, Montreal

Officers

L. C. BONNYCASTLE, *President*
A. S. BRUNEAU, *Vice-President*
D. R. GORMLEY, *Executive Vice-President*
J. D. PADDON, *Vice-President — Production*
H. E. PURCELL, *Vice-President — Sales*
E. J. WINTERS, *Secretary-Treasurer*

Directors

L. C. BONNYCASTLE, <i>Toronto</i>	H. R. JACKMAN, <i>Toronto</i>
A. S. BRUNEAU, <i>Q.C., Montreal</i>	J. A. LOWDEN, <i>Toronto</i>
C. P. FELL, <i>Toronto</i>	J. D. PADDON, <i>Cornwall</i>
H. B. FEWKES, <i>Montreal</i>	B. H. RIEGER, <i>Toronto</i>
J. G. GLASSCO, <i>Toronto</i>	A. C. SALTER, <i>Montreal</i>
D. R. GORMLEY, <i>Montreal</i>	J. M. WELLS, <i>Montreal</i>

THE ROYAL TRUST CO., MONTREAL AND TORONTO	<i>Stock Transfer Agent</i>
BANK OF MONTREAL, MONTREAL	<i>Bankers</i>
THE CANADIAN BANK OF COMMERCE, MONTREAL	
MONTREAL STOCK EXCHANGE	<i>Stock Listed</i>

Operating

ONTARIO MILL, HAMILTON, ONT. CANADA MILL, CORNWALL, ONT.
DUNDAS MILL, CORNWALL, ONT.

Subsidiaries

CORNWALL AND YORK COTTON MILLS COMPANY, LIMITED, SAINT JOHN, N.B.
THE ROSAMOND WOOLLEN COMPANY LIMITED, ALMONTE, ONT. (*Sold May 1959*)

Annual Report

OF THE DIRECTORS OF

CANADIAN COTTONS, LIMITED

YEAR ENDED MARCH 31, 1959

TO THE SHAREHOLDERS:

Your directors submit with this report the financial result of your company's operations during the year ended March 31, 1959 and the auditors' report thereon.

Operating Result

The year covered by these statements has been a most difficult one for the Canadian primary cotton textile industry and while total Canadian consumption in 1958 held at about the 1957 level, the share of the market supplied by Canadian mills dropped to an all time low of 45 percent. Your company suffered a loss on its operations. This amounted to \$170,218 after providing depreciation of \$250,000, whereas in the previous year a profit of \$29,877 was earned after a provision of \$550,000 for depreciation. The maximum depreciation that could have been claimed for tax purposes in the year ended March 31, 1959 was \$1,296,063.

The above loss was suffered despite the facts that the company's total volume of sales was almost exactly the same as in the previous year and plant efficiency and employee co-operation actually improved. However business has become increasingly competitive, prices have been low and the flow of imports from the U.S. and low wage countries has increased in volume. In addition, production in Canadian Cottons, Limited mills was at a lower level than sales as inventories which were high at the beginning of the year were reduced substantially.

Working Capital

Working capital shows an improvement during the year of \$601,205. This is due largely to the sale of the company's investment in Textile Sales Limited, commented on below, less \$1,470,000 applied to the redemption of first mortgage bonds and some \$400,000 spent on fixed assets.

Textile Sales Limited

During July 1958 your company disposed of its investment in Textile Sales Limited receiving therefor \$2,307,157 in cash and \$500,000 in five year serial notes plus an interest in the final proceeds of liquidation of certain properties in Grand'Mere, P.Q. and Milltown, N.B.

Prospects for the Company

After four years of slowly improving operations, during which time a loss of \$2,520,686 before depreciation suffered in the year ended March 31, 1954 was converted in the year ended March 31, 1958 into a profit of \$579,877 before depreciation, the past year resulted in a reversal of this trend and a deterioration of earnings. During these years when it was hoped that conditions in the industry would improve either as a result of improved world conditions in the textile industry or the acceptance by the Canadian government that the industry required increased protection in its home market, comparatively little could be spent on new plant and equipment. Quite apart from the difficulty of attracting capital into the industry for such investment, it was impossible to justify putting additional capital into a company which could not forecast a reasonable return on the new investment.

There has been no basic improvement in the climate for the cotton textile industry. Competition from abroad is, if anything, increasing in severity with

Asiatic countries continually expanding their exports and reducing prices in the industry and with the U.S. mills increasing their high share of the Canadian market. There has been no indication that the Government intends to make any substantial change in the protection which the industry receives and in fact the Tariff Board report has recommended that the tariff be simplified and modernized but that little increase in protection be granted.

Under these circumstances your directors have been faced with a decision either to seek very substantial amounts of capital to reconstitute the company's plants, machinery and equipment to reduce costs still further and supply markets not now served by the company or to withdraw from those areas which were resulting in operating losses. After a most thorough examination of the prospects it has been concluded that a satisfactory return on such new investment cannot be anticipated. The necessary alternative, therefore, is to plan further drastic reductions in operations and a regrouping of the profitable lines. The result will be a substantial reduction of inventories and the disposal of some plants, machinery and equipment. Funds will be released to repay the bonded indebtedness of the company and the company itself will be more compact, financially secure and flexible.

Operations in Hamilton will be discontinued. The denim mill has been operating at less than half its capacity because of the sharp decrease in demand for denim and because this cloth has continued to come in from the United States in peak volume, much of it at substantial discounts. The yarn mill will be closed and all activity in Hamilton will be discontinued by the end of the year.

The small yarn mill at Saint John, N.B. has been closed and the Rosamond woollen mill at Almonte, Ontario has been sold and there will be a reduction in certain lines of products now made at Cornwall. Studies are being made looking to the regrouping of certain of the facilities in Cornwall and there will be a substantial reduction in operations there.

It is with great regret that this decision has been reached. Your directors have kept plants in operation as long as possible to protect the jobs of the employees and the interests of the communities in which the plants were located.

However, over the past six years the company's surplus and reserves have been reduced substantially, the shareholders have received no dividends and their equity has decreased drastically. The proposed reduction in operations is therefore inevitable.

Employee Relations

Your directors wish to express their appreciation of the great effort put forward by all members of the organization in making company operations as efficient as possible, and in trying to maintain sales and production at the highest possible point. There has been co-operation at every level and plant productivity has been high.

On behalf of the Directors,

L. C. BONNYCASTLE,

President

Auditors' Report

TO THE SHAREHOLDERS

Canadian Cottons, Limited,
Montreal, Que.

We have examined the Consolidated Balance Sheet of Canadian Cottons, Limited and its subsidiaries as at March 31, 1959 and the related Consolidated Statements of Profit and Loss and of Earned Surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Profit and Loss and of Earned Surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its subsidiaries as at March 31, 1959 and the results of their operations for the year ended on that date according to the best of our information and the explanations given to us and as shown by the books of the Companies.

ROSS, TOUCHE & CO.,
Chartered Accountants.

Montreal, Que.
April 29, 1959.

CANADIAN COTTONS, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss

FOR THE YEAR ENDED MARCH 31, 1959
(with comparative figures for 1958)

	1959	1958
Profit before providing for the undernoted items.....	\$ 424,571	\$ 939,046
Deduct:		
Depreciation.....	250,000	550,000
Bond interest.....	217,397	230,625
Remuneration of executive officers.....	110,934	108,380
Directors' fees.....	13,000	12,233
Legal fees.....	3,458	3,931
Income taxes.....	—	4,000
	<u>594,789</u>	<u>909,169</u>
Net profit (loss) for the year.....	<u>(\$ 170,218)</u>	<u>\$ 29,877</u>

NOTE: The maximum capital cost allowance for the 1959 year, calculated in accordance with the Income Tax Regulations, is \$1,296,063.

Consolidated Statement of Earned Surplus

FOR THE YEAR ENDED MARCH 31, 1959
(with comparative figures for 1958)

	1959	1958
Balance at beginning of year.....	\$7,580,152	\$7,550,275
Add:		
Transfer of reserve for investment in associated company created in prior years.....	307,157	—
Adjustment relating to acquisition of preferred shares of parent company by a subsidiary.....	165,394	—
Profit from sale of fixed assets.....	22,600	—
Net profit (loss) for the year.....	<u>(170,218)</u>	<u>29,877</u>
Balance at end of year.....	<u>\$7,905,085</u>	<u>\$7,580,152</u>

ASSETS

	1959	1958
	<u> </u>	<u> </u>
CURRENT:		
Cash on hand and in banks	\$ 418,210	—
Accounts receivable less allowance for doubtful accounts . . .	2,166,028	\$ 2,035,094
Government of Canada bonds at cost (market value \$545,700)	546,825	—
Current portion of notes receivable	100,000	—
Inventories valued at the lower of cost or market:		
Raw materials, goods in process and finished goods	5,952,725	7,846,143
Other materials and supplies	344,326	443,934
	<u>6,297,051</u>	<u>8,290,077</u>
 Prepaid expenses	 123,538	 40,261
Total current assets	<u>9,651,652</u>	<u>10,365,432</u>
 5% notes receivable	 450,000	
Less current portion shown above	<u>100,000</u>	
	350,000	—
 Investment in associated company at cost less reserve of \$3,850,000	 —	 2,500,000
 Property and plants at cost	 21,313,215	 21,098,737
Accumulated depreciation	<u>13,930,669</u>	<u>13,777,859</u>
	7,382,546	7,320,878
	<u><u>\$17,384,198</u></u>	<u><u>\$20,186,310</u></u>

Signed on behalf of the Board of Directors:

L. C. BONNYCASTLE, *Director*

J. G. GLASSCO, *Director*



BALANCE SHEET

as at March 31, 1959

(with comparative figures for 1958)

LIABILITIES

	<u>1959</u>	<u>1958</u>
CURRENT:		
Due to bankers.....	—	\$ 1,039,246
Accounts payable and accrued liabilities.....	\$ 771,323	875,851
Income and other taxes payable.....	40,450	61,661
5% debentures of a subsidiary due April 1, 1959.....	—	150,000
Current portion of funded debt.....	510,000	510,000
Total current liabilities.....	<u>1,321,773</u>	<u>2,636,758</u>
FUNDED DEBT:		
First mortgage bonds —		
5% due \$510,000 September 1, 1959-1961 and		
\$1,500,000 September 1, 1962.....	3,030,000	4,500,000
Less: Current portion shown above.....	<u>510,000</u>	<u>510,000</u>
	2,520,000	3,990,000
CAPITAL STOCK:		
Authorized —		
Preferred — 6% non-cumulative		
207,185 shares of \$20.00 par value.....	\$4,143,700	
Common —		
175,000 shares of no par value.....	<u>3,500,000</u>	
	<u>\$7,643,700</u>	
Issued and fully paid —		
Preferred — 142,272 shares.....	2,845,440	3,187,500
Common — 141,610 shares.....	<u>2,791,900</u>	<u>2,791,900</u>
	5,637,340	5,979,400
Retained earnings:		
Consolidated earned surplus — statement attached.....	<u>7,905,085</u>	<u>7,580,152</u>
	<u>\$17,384,198</u>	<u>\$20,186,310</u>

CANADIAN COTTONS, LIMITED

SPINNERS - WEAVERS - CONVERTERS
COMMISSION CONVERTERS

Sales Offices

MONTREAL - HAMILTON - TORONTO
WINNIPEG - EDMONTON - VANCOUVER

Makers of

MATTRESS TICKING • EIDERDOWN
FLANNELETTE - Striped - Plain • INTERLINING
FLANNELETTE SHEETING

■ *Work Clothing Fabrics*

DENIM • PANTING • CHAMBRAY
FLANNEL • DRILL
CANTON FLANNEL

■ *Sportswear Fabrics*

PLAYSUIT FABRIC • SPORT DRILL • SATEEN
SHIRTING • FLANNEL • DOESKIN
PRINTED DENIM

■ *Finished Products*

DIAPERS • FLANNELETTE BLANKETS • CRIB BLANKETS
BLENDED FIBRE BLANKETS • HANDICRAFT YARNS
SCREEN PRINTED BLANKETS

■ *Yarns*

UNBLEACHED, BLEACHED AND COLOURED COTTON,
SYNTHETIC, WOOL AND BLENDED YARNS
FOR KNITTERS, WEAVERS, BRAIDERS
AND INDUSTRIAL USERS



SYMBOL OF CANADA'S FOREMOST
TEXTILE PRODUCERS
